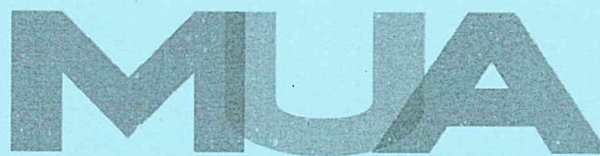


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BML 205 : MACRO ECONOMICS

DATE: 24TH JULY 2017

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

THE STATE OF THE KENYAN ECONOMY IN 2015

Assume that the basket of goods consumed by a typical household consisted of just four items namely Maize, beans, sugarcane and fish in the year 2015. The quantities consumed of each of these four goods in the base year are given in the table shown herein below along with the prices in both base year and the current year.

Goods	Base Year Quantity (Kg)	Base Year Price (Kshs)	Current Year Price (Kshs)
Maize	12	120	150
Beans	25	360	355
Sugar Cane	15	300	325
Fish	20	44	46
Totals	72		

- a) (i) Determine the current year Consumer price Index. (5 Marks)
- (ii) Calculate the percentage change in consumer price index (3 Marks)
- (iii) Explain what the percentage change determined in (b) above means to the common citizen of the economy. (2 Marks)
- b) Justify why an increase in National Income does not translate into increased economic welfare of the people. (8 Marks)
- c) What role does non-bank financial institutions or intermediaries play in Kenyan economic growth and development. (7 Marks)

QUESTION TWO

- a) Discuss the different approaches used in measuring the National Income of a Country. (9 Marks)
- b) Differentiating Comparative advantage from absolute advantage. (6 Marks)

QUESTION THREE

- a) To perform its functions effectively and adequately, the government raise revenue through taxation of its citizens. Explain any four major functions of taxation. **(8 Marks)**
- b) Identify and elaborate on five economic effects of taxation. **(5 Marks)**
- c) Differentiate with examples: -
 - i. Transfer and non-transfer expenditure.
 - ii. Development and non-development expenditure **(2 Marks)**

QUESTION FOUR

- a) The size of national Income of developing countries may be affected by various factors. Discuss any three of these factors that may cause the size of the national income of a growing economy to vary. **(6 marks)**
- b) Identify and explain any three macro-economic policy objectives on a growing economy. **(6 marks)**
- c) What are the three main functions of a budget in Kenya. **(3 marks)**

QUESTION FIVE

- a) Discuss any FIVE capital market instruments and any FIVE money market Instruments. **(10 marks)**
- b) In virtually all countries today there exists a central bank which performs the essential functions of stabilizing the economy. Discuss five of these functions. **(5 marks)**

QUESTION SIX

- a) With relevant examples explain what is economic integration. **(2 Marks)**
- b) Justify the case for regional economic integration. **(8 Marks)**
- c) Explain protection in the context of International Trade and advice on the forms of protection. **(5 Marks)**

